COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE EFFECTS OF THE FEDERAL TAX REFORM ACT OF 1986 ON THE RATES OF LOUISVILLE GAS AND ELECTRIC COMPANY	)	CASE NO. 9781

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. The information requested herein is due no later than March 27, 1987. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 1

1. In response to the Commission's Order of December 11, 1986, responding utilities have made numerous adjustments to reflect the affects on revenue requirements of increases and decreases in tax expense resulting from the 1986 Tax Reform Act. In order to allow every utility the same opportunity to address the numerous elements contained in the various filings the following list of issues is provided. The effects of Items (1), (2) and (3) shall be addressed by all utilities. The effects of Items (4) through (20) should be addressed by each utility as applicable. For each item below, provide the dollar amount for each adjustment or, for items omitted, an explanation as to why the information is not being supplied. Include a detailed explanation and workpapers of how each amount was determined and a reconciliation of the sum of these adjustments to the total amount of revenue requirement affect included in the original application.

(1) Federal tax rate change - 46 to 34 percent.

(2) Amortization of excess deferred taxes.

(a) Depreciation related.

(b) Non-depreciation related.

(3) Unbilled revenues.

(4) Alternative minimum tax.

(5) Kentucky income taxes.

(6) Investment tax credits.

(7) Capitalized overheads.

(8) Capitalized interest.

(9) Depreciation.

(10) Vacation pay.

(11) ESOP.

(12) Pension expense.

(13) Uncollectible accounts and bad debt reserve.

(14) Provision for 80 percent of certain business expense deductions.

(15) Contributions in aid of construction.

(16) Customer advances for construction.

(17) Super fund taxes.

(18) PGAs.

(19) Cash flow.

(20) Payroll taxes.

2. Provide any comments you deem appropriate as to the procedure of adjusting rates effective July 1, 1987, to reflect the change in revenue requirements based on the lowering of the top corporate rate to 34 percent.

3. With reference to Fowler Exhibit 1, please provide the following information:

a. Computations supporting the amount of taxes as shown on line 1. Net income before taxes and Schedule M adjustments to taxable income should be clearly shown.

b. An explanation of deferred tax credits and the investment tax credit added back on lines 2 and 3.

c. Calculations supporting the reduction of the Investment Tax Credit by $2,916,000.

d. Support for the excess bad debt reserve of $1,532,000 over the book balance of $2,173,000.

e. Support for the estimated construction expenditures of $50 million. Explain any extraordinary items included.

f. The amount of customer contributions for each year for 1983 through 1986. Explain the rationale for using an average.

g. The calculations supporting the decrease in depreciation.

h. Calculations supporting the superfund tax.

4. Provide the Schedule M adjustments to taxable income as if the Tax Reform Act had been in effect for the test year.

5. With reference to the testimony of Frank L. Wilkerson, provide support for the reduction in cash flow of approximately $13 million.

6. Provide computations supporting the interest charges of $1,069,000 shown in column 4 of Wilkerson, Exhibit A.

7. Please explain why no adjustment was made for the excess deferred income taxes that will result from the tax rate change.

8. Provide the total amount of accumulated deferred income taxes and the aggregate normalized timing differences arising from:

a. Use of accelerated tax depreciation.

b. Other book/tax timing differences.

9. Where applicable, provide the information in items 3 through 8 above as it relates to Fowler Exhibit 2.

Done at Frankfort, Kentucky, this 13th day of March, 1987.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director